

MS. RICHARDSON: As the Honorable Commissioner has pointed out, my name is not Jack Valenti.

CHAIRMAN D'AMATO: Ma'am, would you please speak closer to the mic? Right.

MS. RICHARDSON: I'm Bonnie Richardson. I'm the Vice President for Trade and Federal Affairs of the Motion Picture Association.

As the Honorable Commissioner has pointed out, because of a family medical emergency, Jack is not able to be with you this afternoon. So it is my great honor to appear before this distinguished Commission today representing the Motion Picture Association.

MPA is a trade association that represents the seven big producers and distributors of film entertainment in the United States and abroad. We're a unique industry. We're very global. We're global in terms of the creators who have been attracted to the United States to tell international stories with international talent. We are also international in that we attract audiences from more than 105 countries around the world.

In our role as an employer in the United States, we are quite a healthy economic engine. In Hollywood alone, in Southern California alone, there are 450,000 jobs, growing 25 percent over the past five

years, and at the macroeconomic level, as part of the copyright industries that also include other intellectual property based industries, like the music industry, the books industry, the computer games and software industry, we represent an employment base for 6.9 million U.S. workers or 5.3 percent of the U.S. work force.

In our role abroad, in entertaining consumers over the world, we generate almost \$12.4 billion in revenues outside the United States. We estimate that there is at least a positive balance of trade of \$8 billion that flows from those international revenues.

However, the phenomenal success and appeal of American movies has had several effects worldwide. We've been so successful in creating demand for American movie product that our works are also stolen on an industrial scale.

We estimate that losses last year from piracy of motion pictures topped \$2.5 billion.

Secondly, the success has predictably frightened our overseas competitors. Their reaction has been to erect barriers, to protect their local businesses through quotas, tariffs, and other forms of trade protection.

The third thing that our trading partners have done overseas is to become much more aggressive in shaping industrial policies in their countries. My colleagues today, I think, will expound upon that issue. I'd like to simply point out at this stage, although perhaps I could come back in the reply period, to state our views that there are ways of shaping policies to train local talent abroad, to improve local facilities; that if they're done fairly, is not bad for the United States. It creates a more dynamic, competitive, global industry, and actually lowers protectionist forces abroad.

But there certainly are trade distortive elements in some of these industrial policies. So if these are the problems we face, intellectual property, theft, and some fairly significant barriers to the export of American motion pictures, what are the remedies that we seek?

First, the protection of our works. We've seen the development of a number of new technologies in recent years, things like digital videodisks and the Internet. Unfortunately the pirates have taken advantage of these new technologies, as well as the industry.

In the last two years alone, our anti-piracy organization has seized 55 million unauthorized

videodisks in overseas markets, and the Internet will only exacerbate the problem.

I want to pause for just a minute and refer to part of the debate in the previous panel in its discussion of E-commerce and point out what I think was a fairly glaring omission in that discussion. To talk about E-commerce and not talk about the role of content in fueling the business to consumer aspects of E-commerce is a serious oversight, and one of the goals that we have for the upcoming trade negotiations in E-commerce is to insure that the world markets for the E-commerce delivery of content, which are currently quite open, remain open.

It would be a serious omission on the part of the United States to adjudicate the rules for the trade internationally of E-commerce and leave out access barriers affecting the content industry.

We are trying to do our own part to address the piracy over the Internet. We are transforming our own anti-piracy organization from primarily a physical kind of piracy, to adding an element to combat piracy in cyberspace.

But without good policies abroad, good copyright laws that have been modernized to address the international cyberspace issues of piracy, and without

enforcement of those laws overseas, nothing we do as an industry will be able to succeed.

There are some very good tools internationally. There were some '96 WIPO treaties that we hope by the middle of this year the 30 countries worldwide will have adopted to allow that treaty to enter into force.

The United States did pass the Digital Millennium Copyright Act almost two years ago that implemented that treaty for the U.S. We hope other countries will do so as well, and we certainly hope the U.S. government will help us explain and advocate the adoption of this critical set of treaties to protect intellectual property in the digital age.

The second condition necessary for our continued health abroad is to insure that market access is provided on transparent and relatively open terms. We want to insure that the kinds of open markets that the United States provides for foreign-filmed entertainment, that those conditions also apply abroad.

We estimate that by improving protection of intellectual property, that would add \$2.5 billion to annual revenues abroad. By addressing trade barriers, we could add another \$1 billion to the U.S. trade surplus, and that's on top of the 12 and a half billion that I mentioned earlier we currently earn outside the

United States, "we," not only the studios, but the independents. That's our estimate for the entire American industry.

We do believe that the World Trade Organization and the world trade rules offer a framework that can help us address both of the serious kinds of problems that we are facing in international markets. The WTO's rules on intellectual property, the Tripps Agreement, has already proven itself to be very helpful, and the U.S. government has been very aggressive in bringing disputes before the dispute settlement body of the World Trade Organization.

We were not so successful to date in using the WTO rules to establish good market access, but that is our goal for the next round of services negotiations.

Doubtless this esteemed Commission has heard many troubling accounts of the causes of America's trade deficit. I'm happy to say that our industry is doing our best to sail against those winds.

We relish competition. We only ask that our trading partners treat us as even handedly as we treat them.

The film entertainment industry is one of America's biggest export success stories. To insure that we continue to export successfully, to increase

employment, to fuel America's economy, the U.S. government needs to continue to work to stem piracy and fight protectionism abroad.

Thank you.

CHAIRMAN D'AMATO: Thank you very much, Ms.
Richardson.

Actor-Director Masur.